



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CARLISLE COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES**

April 24, 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
CARLISLE COUNTY
SHERIFF'S SETTLEMENT - 1999 TAXES

April 24, 2000

Financial Condition:

Carlisle County Sheriff's Office is considered to be a going concern in audit terms.

Debt Obligations:

None.

Comments and Recommendations:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,852 To Protect Deposits

Changes in Administration:

This is the first full tax year for this Sheriff.

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EDWARD B. HATCHETT, JR.
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To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Honorable Steve McChristian, Carlisle County Sheriff
Members of the Carlisle County Fiscal Court

Independent Auditor's Report

We have audited the Carlisle County Sheriff's Settlement - 1999 Taxes as of April 24, 2000. This tax settlement is the responsibility of the Carlisle County Sheriff. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Sheriff prepares his financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Carlisle County Sheriff's taxes charged, credited, and paid as of April 24, 2000, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
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Dana Mayton, Secretary, Revenue Cabinet
Honorable John Roberts, Carlisle County Judge/Executive
Honorable Steve McChristian, Carlisle County Sheriff
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In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2001, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,852 To Protect Deposits

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 23, 2001

CARLISLE COUNTY
STEVE McCHRISTIAN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES

April 24, 2000

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 112,794	\$ 155,418	\$ 296,323	\$ 141,471
Tangible Personal Property	6,730	7,899	17,795	15,379
Intangible Personal Property				10,024
Fire Protection	904			
Franchise Corporation	23,488	30,495	61,998	
Clay Reserves	75	96	198	94
Additional Billings	94	120	248	118
Penalties	952	1,275	2,495	1,240
Adjusted to Sheriff's Receipt	<u>(72)</u>	<u>(73)</u>	<u>(173)</u>	<u>(82)</u>
Gross Chargeable to Sheriff	<u>\$ 144,965</u>	<u>\$ 195,230</u>	<u>\$ 378,884</u>	<u>\$ 168,244</u>
<u>Credits</u>				
Discounts	\$ 1,406	\$ 1,928	\$ 3,666	\$ 1,945
Exonerations	806	1,048	2,061	1,044
Delinquents:				
Real Estate	<u>1,609</u>	<u>2,110</u>	<u>4,226</u>	<u>2,018</u>
Total Credits	<u>\$ 3,821</u>	<u>\$ 5,086</u>	<u>\$ 9,953</u>	<u>\$ 5,007</u>
Net Tax Yield	\$ 141,144	\$ 190,144	\$ 368,931	\$ 163,237
Less: Commissions *	<u>6,286</u>	<u>7,909</u>	<u>14,757</u>	<u>7,225</u>
Net Taxes Due	\$ 134,858	\$ 182,235	\$ 354,174	\$ 156,012
Taxes Paid	134,688	181,856	353,548	155,696
Refunds (Current and Prior Year)	<u>74</u>	<u>94</u>	<u>194</u>	<u>92</u>
Due Districts		**		
as of Completion of Fieldwork	<u>\$ 96</u>	<u>\$ 285</u>	<u>\$ 432</u>	<u>\$ 224</u>

* and ** See Page 4

CARLISLE COUNTY
STEVE McCHRISTIAN, SHERIFF
SHERIFF'S SETTLEMENT - 1999 TAXES
April 24, 2000
(Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	415,579
4% on	\$	437,877

** Special Taxing Districts:

Ambulance District	\$	101
Extension District		74
Health District		57
Soil Conservation District		28
Watershed District		<u>25</u>
Due Districts	\$	<u><u>285</u></u>

The accompanying notes are an integral part of the financial statement.

CARLISLE COUNTY
NOTES TO FINANCIAL STATEMENT

April 24, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on the modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriffs office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 9, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$26,852 of public funds uninsured and unsecured.

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 9, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 346,907
Uncollateralized and uninsured	<u>26,852</u>
Total	<u>\$ 373,759</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 1999. Property taxes were billed to finance governmental services for the year ended June 30, 2000. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 22, 1999 through April 24, 2000.

Note 4. Interest Income

The Carlisle County Sheriff earned \$1,301 as interest income on 1999 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

COMMENT AND RECOMMENDATION

CARLISLE COUNTY
STEVE McCHRISTIAN, SHERIFF
COMMENT AND RECOMMENDATION

April 24, 2000

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,852 To Protect Deposits

On November 9, 1999, \$26,852 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

Sheriff's Response:

Securities of \$400,000 were pledged as collateral to protect deposits. We instructed the bank to maintain this coverage for three or four months when we started collecting taxes, but the bank instituted the pledges in June, July, and August, instead of October, November, and December. This was a misunderstanding between the Sheriff's office and the bank and has been taken care of. This is our first tax audit.

Prior Year Findings:

None.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Carlisle County Sheriff's Settlement - 1999 Taxes as of April 24, 2000, and have issued our report thereon dated July 23, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Carlisle County Sheriff's Settlement - 1999 Taxes as of April 24, 2000 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$26,852 To Protect Deposits

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlisle County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 23, 2001

